



**Hestio AS**

Registration No. 40003972121

LEI: 984500B87564PAFE3F43

**TERMS OF THE NOTES ISSUE**

**EUR 990,000.00**

(Nine hundred ninety thousand Euro)

**Secured Notes**

with nominal value **EUR 0.01** (one Euro cent)

maturity 01.09.2027.

International Securities Identification Number (ISIN): LV0000802650

These Terms of the Notes Issue are not a prospectus for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof. These Terms of the Notes Issue have been prepared on a basis that all offers of the debt securities are issued by the Issuer according to these Terms of the Notes Issue and will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

The issue of the Notes is a private placement and there is no intention of the Issuer to list the current Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended ("MiFID II").

The Issuer is a company incorporated and existing under the Applicable Laws of the Republic of Latvia and the Applicable Laws allow for the Issuer to record the issue with the central securities depository of Latvia – Nasdaq CSD.

The decision of the Issuer to organize the issue of the Notes has been passed in compliance with the Applicable Laws of the Republic of Latvia. The issue of the Notes, including the relationship between the Issuer and prospective investors or any third parties, and their respective rights and duties attached to the Notes is governed by the Applicable Laws of the Republic of Latvia.

These Terms of the Notes Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

Before deciding to purchase the Notes, prospective investors must make their own assessment as to the suitability of investing in the Notes. In particular, each prospective investor should:

- 1) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;

- 2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- 3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- 4) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- 5) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, before deciding to purchase the Notes, prospective investors should carefully review and consider the risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer. If any of these risks materialize, the market value of the Notes and the likelihood the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Noteholders could lose all or part of their investments.

Any previous discussions or presentations provided to prospective investors were solely for information purposes and the Notes are issued in accordance with these Terms of the Notes Issue. A prospective investor should not make an investment decision relying solely upon the information provided in the prospective investor presentation or otherwise.

20 December 2022

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## DEFINITIONS

<b>Accounting Principles:</b>	<p>Currently: Latvian Accounting Standards (Latvian GAAP) as set forth in the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.</p> <p>Starting from Financial Report of year 2023: International Financial Reporting Standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).</p>
<b>Accrued Coupon:</b>	As defined in Clause 12.1.
<b>AML:</b>	Anti-money laundering and counter terrorism and proliferation financing.
<b>Applicable Laws:</b>	Any applicable law, including without limitation: (a) the regulations of the FCMC, Nasdaq Riga and Nasdaq CSD; (b) corporate, securities, tax or other laws, statutes, rules, requirements, or regulations, whether state, local, foreign, or EU; and (c) the laws and regulations of the Republic of Latvia.
<b>Additional Return Fee:</b>	As defined in Clause 12.2.
<b>Business Day(s):</b>	Business Day(s) is a day when Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
<b>Bank Account:</b>	Issuer's bank account, opened in "Swedbank" AS, SWIFT/BIC: HABALV22, IBAN: LV76HABA0551048218222, to which payment for the Notes will be made.
<b>Cash and Cash Equivalents:</b>	Cash and cash equivalents according to the most recent Financial Report.
<b>Change of Control:</b>	<p>The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) acquires the influence (whether by way of ownership of shares, contractual arrangement or otherwise) to:</p> <ul style="list-style-type: none"><li>(a) cast or control the casting of more than 50% (fifty percent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or</li><li>(b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer.</li></ul> <p>For the sake of clarity, a Change of Control does not occur if there is a change between the Existing Shareholders (including, where any changes to the management board or supervisory board members, if a supervisory board is appointed, or other equivalent officers of the Issuer takes place) and the Existing Shareholders maintain jointly or individually more than 50% (fifty percent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer.</p>
<b>Collateral</b>	Collateral described in <a href="#">Section 9</a> "Collateral of the Notes" which serves as security for fulfilment of the Issuer's obligations to Investors in accordance with the Terms of the Notes Issue.
<b>Collateral Agreement</b>	Commercial pledge agreement concluded or to be concluded on the provision of the Collateral referred to in <a href="#">Section 9</a> "Collateral of the Notes" between the Investors and the Issuer as a collateral provider and governed by Latvian Law. The Collateral Agreement is an annex to these Terms of the Notes Issue and constitute an integral part thereof.
<b>Debt Service Coverage Charges</b>	The Issuer's scheduled principal payments pursuant to the agreements on Financial Indebtedness, excluding any taxes payable, and interest payments on Financial Indebtedness, excluding any taxes payable, calculated for the Relevant Period.

<b>Early Redemption:</b>	Option to redeem the Notes before the Maturity Date in accordance with conditions set forth in Clause 12.5
<b>EBITDA:</b>	The Issuer's net profit before interest payments, depreciation, and taxes during the Relevant Period.
<b>Coupon:</b>	Interest on the Notes calculated in accordance with the Section 11. ( <i>Coupon</i> ).
<b>Coupon Payment Date:</b>	Coupon payments shall be made four times per year – on each 31 March, 30 June, 30 September and 31 December.
<b>Custodian:</b>	Nasdaq CSD participant directly or a licensed credit institution or an investment brokerage company that has a financial securities' custody account with a Nasdaq CSD participant.
<b>Debt Service Coverage Ratio or DSCR:</b>	Debt Service Coverage Ratio (DSCR) measures the ability of the Issuer to service its Financial Indebtedness and is calculated as: EBITDA divided by Debt Service Charges over the Relevant Period.
<b>EUR:</b>	Euro (the single currency of the Member States of the European Monetary System).
<b>Event of Default:</b>	Any event or circumstance set out in Clause 15.2. of these Terms of the Notes Issue.
<b>Existing Shareholders:</b>	Shareholders of the Issuer at the date of these Terms of the Notes Issue: <ol style="list-style-type: none"> <li>1) AS "BASTIONS ZS", registration no: 40003218044, legal address: Kleistu iela 18A - 2, Riga, LV-1067, Latvia, holding 66.69% of the share capital of Issuer;</li> <li>2) SIA "Uzņēmumu vadība", registration no: 50103799391, legal address: Vienības gatve 186A – 19, Riga, LV-1058, Latvia, holding 33.31% of the share capital of Issuer.</li> </ol>
<b>Fair Market Value:</b>	With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving any distress of either party, determined in good faith by the management board of the Issuer.
<b>FCMC:</b>	Financial and Capital Market Commission (in Latvian: <i>Finanšu un kapitāla tirgus komisija</i> ).
<b>Financial Indebtedness:</b>	The outstanding aggregate amount of total indebtedness according to the most recent Financial Report, including: <ol style="list-style-type: none"> <li>(a) monies borrowed and debt balances at banks or other financial institutions;</li> <li>(b) any amount raised pursuant to the issue of notes or any similar instrument, including the Notes;</li> <li>(c) the amount of any liability in respect of any financial lease;</li> <li>(d) any amount raised under any other transaction having the commercial effect of a borrowing and treated as a borrowing under IFRS;</li> <li>(e) guarantee or any other instrument issued by a bank or financial institution when and if the obligation to pay the guarantee occurs;</li> <li>(f) any taxes payable.</li> </ol> <p>Without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (f).</p>
<b>Financial Report:</b>	The annual audited financial report of the Issuer and the half-year unreviewed report (as applicable) of the Issuer prepared in accordance with Latvian Accounting Standards as set forth in the Law on Annual Statements and Consolidated Annual Statements of the Republic of

Latvia.

<b>Financial Year:</b>	For the Issuer, each year starting on 1 January and ending on 31 December.
<b>First North:</b>	The Multilateral Trading Facility (MTF) First North, operated by Nasdaq Riga.
<b>First Settlement Date:</b>	The First Settlement Date of the Notes is the day when the Notes are settled in the securities accounts of the Noteholders as specified in Section 26 "Settlement and delivery of the Notes".
<b>Force Majeure Event:</b>	Has the meaning set forth in Clause 18. ( <i>Force Majeure</i> ).
<b>Initial Total Nominal Value:</b>	EUR 990,000.00 (nine hundred ninety thousand Euro)
<b>IPO event:</b>	Initial public offering of the Issuer's shares and its subsequent inclusion (listing) on Nasdaq Riga.
<b>Issuer:</b>	Hestio AS, a company registered with the Register of Enterprises of Latvia with registration No. 40003972121, legal address: Kleistu iela 18A - 2, Rīga, LV-1067, Latvia.
<b>Issue Date:</b>	The date of these Terms of the Notes Issue.
<b>Latvian GAAP:</b>	Latvian Accounting Standards (Latvian GAAP) as set forth in the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.
<b>Majority Noteholders:</b>	Noteholders who collectively hold in aggregate the Notes with the Nominal Value representing at least 1/2 (one half) of the aggregate Nominal Value of all outstanding Notes plus at least one additional Note. The Issuer, its direct or indirect shareholders and the Related Parties holding any such Notes are not eligible for voting.
<b>Maturity Date:</b>	The date when the Notes shall be repaid in full at their Nominal Value by the Issuer, which is 01.09.2027.
<b>Minimum Total Return:</b>	As defined in Clause 12.3.
<b>Minimum Settlement Unit:</b>	The minimum amount which can be held and traded, which is equal to the Nominal Value.
<b>Nasdaq CSD:</b>	Nasdaq CSD SE, registration No. 40003242879, registered address at: Vajņu iela 1, LV-1050, Riga, Latvia.
<b>Nasdaq Riga:</b>	AS "Nasdaq Riga", registration No. 40003167049, registered address at: Vajņu iela 1, LV-1050, Riga, Latvia.
<b>Net Debt:</b>	The aggregate amount of the Financial Indebtedness of the Issuer minus the sum of Cash and Cash Equivalents of the Issuer as per most recent Financial Report.
<b>Nominal Value:</b>	Face value of a single Note, which is EUR 0.01 (one Euro cent).
<b>Note(s):</b>	The debt security issued by the Issuer according to these Terms of the Notes Issue.
<b>Noteholder(s) or Investor(s):</b>	A private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as provided in these Terms of the Notes Issue.
<b>Potential Investor(s):</b>	A private person or legal entity that has, according to the terms stated in these Terms of the Notes Issue, expressed interest or is planning to purchase for its own account one or more Notes.
<b>Prospectus Regulation:</b>	Regulation (EU) 2017/1129 of the European Parliament and of the

Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

<b>Related Parties:</b>	Persons listed in Article 184. <sup>1</sup> of the Commercial Law.
<b>Relevant Period:</b>	Each period of 12 (twelve) consecutive calendar months, fixed at the end of each half year.
<b>Repayment Value at Early Redemption:</b>	Value the Issuer has to pay to the Noteholders in case of Early Redemption as set forth in Clause 12.5.1.
<b>Sanctions:</b>	Economic or financial sanctions, trade embargoes and similar measures imposed, administered, or enforced from time to time by the Republic of Latvia, European Union, United Nations, the Office of Foreign Assets Control of the US Department of the Treasury (OFAC) and any competent authority.
<b>Subsidiary:</b>	SIA "Auron Coffee Roastery", a company registered with the Register of Enterprises of Latvia with registration no. 40103391496 and legal address at: Mellužu iela 13 - 11, Riga, LV-1067, Latvia.
<b>Terms of the Notes Issue:</b>	This document, which entitles the Issuer to execute this issue and the initial offering of the Notes.
<b>Total Repayment Value at Maturity:</b>	Value the Issuer has to pay to the Noteholders at Maturity Date as set forth in Clause 12.4.1.

## **RISK FACTORS**

*Below is a description of the risk factors that are material for the assessment of the market risk associated with the notes and risk factors that may affect the Issuer's ability to fulfil its obligations under the notes, as well as the market price and value of the notes. Should one or more of the risks described below materialise, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the group. Moreover, if any of these risks materialise, the market value of the notes and the likelihood that the issuer will be in a position to fulfil its payment obligations under the notes may decrease, in which case the prospective investors could lose all or part of their investments.*

*The risk factors described herein are the risks which the issuer has deemed material; however, they are not the only factors affecting the Issuer's activities. Therefore, the Issuer does not claim that the statements below regarding the risks of acquiring and/or holding any notes are exhaustive. Also, other factors and uncertainties than those mentioned herein, which are currently unknown or deemed immaterial, could negatively affect the Issuer's cash flows, results of operations and, thereby, the Issuer's ability to fulfil its obligations under the notes, as well as the market price and value of the notes. Moreover, prospective investors should bear in mind that several of the described risk factors can occur simultaneously and together with other circumstances could have a potentially stronger impact on the group.*

*Before deciding to purchase the notes, prospective investors should carefully review and consider the following risk factors, in addition to all other information presented in these terms of the notes issue, and consult with their own professional advisors if necessary.*

### **RISKS RELATED TO THE ECONOMIC AND REGULATORY ENVIRONMENT**

#### **Macroeconomic risk**

The Group's results of operations and financial performance are subject to changes in the general economic conditions of the markets in which it sells its products of total consolidated revenue for the year ended December 31, 2021. Changes in general economic conditions directly impact consumer confidence and consumer spending as well as the general business climate and levels of business investment, all of which affect the demand for the Group's products and services. Moreover, consumer confidence, consumer spending and/or general economic conditions may deteriorate significantly and remain depressed for extended periods of time. A negative development in general economic conditions or consumer confidence and consumer spending could have a negative effect on Group's results of operations, revenue and cash flows.

Downturns in general economic conditions and uncertainties regarding future economic prospects which affect consumers' disposable income pose a risk to the Group's business, because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news or declines in income or asset values, which could have a material adverse effect on demand for the Group's products. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates and availability of consumer credit. These and other such macroeconomic factors are outside the Group's control.

#### **Geopolitical risk**

In February 2022, Russia started invasion of Ukraine. This has led to significant volatility in the global credit markets and on the global economy. Furthermore, war in Ukraine has resulted in sanctions on Russian and Belarussian suppliers and have triggered production chain disruptions in many industries globally that could potentially negatively affect the availability and cost of certain materials, and have intensified general inflationary pressures. The Group may not be able to transfer the rising costs to its customers by increasing the prices of its products and services, and such price increases may not be sufficient to fully cover the negative impact from rising costs or may come with a delay that could potentially leave a negative impact on the Group's margins and financial performance.

Introduction of new sanctions packages, general deterioration of the economic situation or investor sentiment towards the Baltics and other aspects related to geopolitical events may affect the Group's business results.

#### **Regulatory risk**

The food and beverage industry is regulated by various European and national legislation and regulations related to food safety and hygiene, packaging, nutritional information.

Changes to the local tax regime or challenges to the current tax structures of the Group's business could have a material adverse effect on the Group's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Group require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

#### **Retention of key personnel**

The Group's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties or lack of industry sustainability could negatively impact the



Group's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

### **Employee risk**

The Group's employees are a significant part of the overall operations of the Group. In the future the Group may be unable to attract enough skilled employees that would fit the needs and the corporate culture of the Group. Training of new employees also takes time and resources. Any difficulties in attracting new and/or to retain existing employees could have a material adverse effect on the Group's service quality and reputation, business operations, financial conditions, and results of operations.

### **Operational risks**

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful internal processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Group and management to reduce operational risks. The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks which could have a material adverse effect on the Group's business operations, financial conditions, and results of operations.

### **Counterparty credit risk**

Group is engaged in numerous sales transactions with its clients and suppliers, and the Group is subject to the risk that one or more of these counterparties becomes insolvent and therefore becomes unable to discharge their obligations to the Group. Such risk may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. If one of the Group's counterparties were to default on its obligations or otherwise be unable to discharge its contractual obligations, this could have an adverse effect on the Group's financial condition and results of operation.

### **Competition risks**

The market segment in which the Group operates is highly competitive. There is a risk new notable market players not yet present in the Baltics could enter the market, thus creating additional competition for the local market players, which could lead to a loss of market share with a material adverse effect on the Group's business operations, financial conditions, and results of operation.

### **Risk of supply and logistics chain disruptions**

A disruption in the Group's supply and logistics chain caused by transportation disruptions, delays or increased expenses, labour strikes, product recalls or other unforeseen events could adversely affect the Group's operations. If the Group cannot secure alternative sources of supply or effectively manage a disruption if it occurs. These events could cause the Group's revenue to decline, require additional resources to restore its supply and logistics chain or otherwise adversely affect the Group's business, financial condition, and results of operations.

### **Risk of increase in labour and employment costs**

Although, the Group has made substantial investments in digitalization to achieve productivity gains, labour and employment costs make up the majority of the Group's operating expenses. The Group's labour and employment costs may rise in the future, or rise faster than expected, as a result of minimum wage increases, inflationary pressure, increased workforce activism, government decrees and changes in social and pension contribution rules. The Group may not be able to offset increases in labour and employment costs through productivity gains. If labour and employment costs increase in the future, the Group's operating costs will increase, which could, if the Group cannot recover these costs from its clients or consumers through increased selling prices or offset them through productivity gains or other measures, have a material adverse effect on the Group's business, financial condition, and results of operations.

### **Risk of information technology system failures, network disruptions and breaches in data security**

The Group relies on information technology networks and systems to securely process, transmit and store electronic information and to communicate internally and with customers, partners and vendors. The Group may be subject to information technology system failures, network disruptions and breaches in data security. Information technology system failures could disrupt its operations by causing transaction errors, processing inefficiencies, delays or cancellations of customer orders, inability to carry out service activities remotely, loss of customers, other business disruptions, or the loss of or damage to intellectual property through security breaches. The Group's information systems could also be penetrated by outside parties who intend to extract information, corrupt information, disrupt business processes, or misappropriate its customer information. Such breaches and cyberattacks could lead to shutdowns or disruptions of the Group's systems and potential unauthorized disclosure of sensitive or confidential information, including personal data of, among others, the Group's employees, customers, contractors, vendors and other business partners.

## **RISKS RELATED TO THE NOTES**

### **Collateral risk**

If the Issuer fails to make the Coupon payments and / or Nominal Value payments, and / or payments stipulated in Section 12 "Repayment of Notes" in a timely manner, the Bond Holders will initiate the takeover and realization of the Collateral. There is a risk that there may be no legal and practical possibility to take over or sell the Collateral in full or in part and no buyer may be interested in buying the Collateral.

Considering that the Bond Holders do not supervise the quality of the Collateral during the duration of Issuer's obligations, there is a risk that the Collateral may be taken over but the realization of the Collateral may be insufficient to fully satisfy the Bond Holders' claims.

### **Repayment risk**

Collaterals securing the Issuer's obligations under the Notes will be lower ranking, junior to the security interests in the same assets provided by the Issuer to AS "Attīstības finanšu institūcija Altum", until complete performance of the Issuer's obligations thereunder.

In case of the Issuer's insolvency, Investors have the same right to receive their investment as other creditors of the relevant group in accordance with the Applicable Law, taking into account, that if the Collaterals would be enforced, the Noteholders would receive payment of their claims in respect of the Notes only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of AS "Attīstības finanšu institūcija Altum" secured by the same Collateral, the costs of enforcement of the Collaterals, and certain other preferred claims (please see risk factor "*Risks associated with lower ranking of Collateral*").

Should the Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Notes, an Investor may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. Investor is always solely responsible for the economic consequences of its investment decisions.

### **Liquidity risk**

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Investors should consider the fact that they may not be able to sell or may face difficulties in selling their Notes on the secondary market at a fair market value or at all.

### **Delisting risk**

After registration of the Notes the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 12 (twelve) months from the Issue Date. There is a risk that Nasdaq Riga will not accept the Notes to be admitted to trading on First North or order that the Notes are delisted from First North before maturity after admission to trading has taken place due to changes in legal acts, including Nasdaq Riga regulations, or recommendations by the FCMC.

### **Price risk**

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development or demand for the Notes.

The Notes shall bear a fixed interest rate. Thus, Investors who seek to sell the Notes before their final maturity are exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Investors are thus exposed to the risk of unfavourable price development of their Notes if they sell the Notes prior to final maturity. If an Investor decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

### **Early redemption risk**

According to these Terms of the Notes Issue, the Notes may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from the investment into the Notes may be lower than initially expected, as the Investor might not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Issuer's redemption right may also adversely impact the Investor's ability to sell such Notes.

### **Tax risk**

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia and residents of other countries may change. The Issuer will not compensate the increase in taxes to Investors, therefore Investors may receive smaller net payments related to the Notes.

### **Resolutions of Investors risk**

The decision by the Majority Noteholders is binding on all Investors. Thus, an Investor is subject to the risk of being outvoted by a majority of the other Investors. As such, certain rights of an Investor against the Issuer may be amended or reduced or even cancelled without its consent.

## **RISKS RELATED TO THE COLLATERAL**

### **Risks associated with lower ranking of Collateral**

The Collateral to be provided to secure the Issuer's obligations under the Notes will be lower ranking, junior to the security interests in the same assets provided by the Issuer to AS "Attīstības finanšu institūcija Altum". Therefore, if the Collateral would be enforced, the Noteholders would receive payment of their claims in respect of the Notes only to the extent that the enforcement proceeds of the sale of the Collateral are sufficient to pay in full all claims of AS "Attīstības finanšu institūcija Altum" secured by the same Collateral, the costs of enforcement of the Collateral and certain other preferred claims.

The Collateral secures claims of AS "Attīstības finanšu institūcija Altum" up to the aggregate amount disclosed in the relevant registries. The aggregate enforcement proceeds that may be received upon the enforcement of the Collateral depend on various factors, including, by way of an example, the existence of a liquid market for the relevant assets, the prevailing market conditions at the time of enforcement, the value and quality of the assets pledged, the time of enforcement, the enforcement actions taken and others. The Issuer does not have an obligation to provide and maintain the Collateral at the level that would be sufficient to cover all claims secured by the Collateral. There is no assurance that the Collateral will be sufficient and can be enforced at a price that would cover in full all secured claims of AS "Attīstības finanšu institūcija Altum", the enforcement costs of the Collateral, the other preferred claims, the claims of the Noteholders and the other claims secured by the Collateral Agreement.

If the enforcement proceeds of the sale of the Collateral are not sufficient to pay all claims of the Noteholders under the Notes, the claims not paid from the enforcement proceeds will be unsecured obligations of the Issuer and will be paid by the Issuer *pro rata* with all other unsecured and unpreferred obligations of the Issuer but only if the Issuer owns any assets that were not subject to the Collateral.

### **Risks associated with the value of the Collateral**

The value of the Collateral is not fixed and is subject to changes in several factors, primarily the demand and supply conditions for the Issuer's products, which at times can be unpredictable and are out of the Issuer's control. Thus, the value of the Collateral might decline if unfavourable market conditions would result in a decline in prices of the Issuer's products. Additionally, if a sudden necessity to sell the Collateral (or any part of it) were to arise, the Issuer might be forced to sell the Collateral at a discount to its market value and derive less value than expected from it.

Moreover, the structure of Collateral could change over time due to changes in the Issuer's inventory and overall asset structure. Additionally, the Collateral is subject to damage defects, and the risk of theft or legal disputes. Any of these risks related to the Collateral can negatively affect the value of the Collateral and the Issuer's ability to meet its obligations under the Notes.

### **The Collateral will be subject to certain limitation on enforcement and may be limited by the Applicable Law or subject to certain defences that may limit its validity and enforceability**

The Collateral provides the Noteholders with a claim against the Issuer. However, the Collateral will be limited to the maximum amount that can be guaranteed by the Issuer without rendering the Collateral voidable or otherwise ineffective under the applicable law, and enforcement of Collateral would be subject to certain generally available defences.

Enforcement of the Collateral against the Issuer will be subject to certain defences available to the Issuer in the relevant jurisdiction. Laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, the Issuer may have no liability or decreased liability under its Collateral depending on the amounts of its other obligations and Applicable Law.

There is a possibility that the entire Collateral may be set aside, in which case the entire liability may be extinguished. If a court decides that the Collateral was a preference, fraudulent transfer or conveyance and voids such Collateral, or holds it unenforceable for any other reason, the Noteholders may cease to have any claim in respect of the Issuer.

## **REPRESENTATIONS AND WARRANTIES, RESPONSIBILITY STATEMENT**

### **REPRESENTATIONS AND WARRANTIES**

The Issuer shall, in accordance with these Terms of the Notes Issue, issue the Notes and perform the obligations arising from the Notes to the Noteholders. The Issuer shall be liable to the Noteholders for due and complete fulfilment of its obligations under the Notes.

The Issuer represents and warrants to the Noteholders that:

- a) the Issuer and the Subsidiaries are duly incorporated and validly existing as legal entity in its jurisdiction of incorporation, and operating under the laws of jurisdiction of its incorporation;
- b) all the Issuer's obligations assumed under the Notes and the Collateral Agreement are valid and legally binding and performance of these obligations is not contrary to Applicable Law, its constitutional documents or any agreement concluded by it;
- c) the Issuer has all the rights and sufficient authorizations to issue the Notes and to provide the Collateral and fulfil other obligations under the Notes and the Collateral Agreement;
- d) the Issuer has performed all the formalities required for issuing the Notes and to provide the Collateral and fulfil other obligations under the Notes and the Collateral Agreement;
- e) all information that is provided by the Issuer to the Noteholders in these Terms of the Notes Issue is true, accurate and complete and not misleading in any respect;
- f) the Issuer and its Subsidiaries are solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or its Subsidiaries;
- g) there are no legal or arbitration proceedings pending or initiated against the Issuer or its Subsidiaries, which may have, or have had significant effect on the Issuer's financial position or profitability;
- h) there are no criminal proceedings pending or initiated against the Issuer or its Subsidiaries;
- i) the Issuer shall not, and shall procure that none of its directors, officers, employees or agents, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise).

The Issuer's representations and warranties above are valid on the Issue Date and will remain valid until fulfilment of all obligations arising from the Notes.

### **RESPONSIBILITY STATEMENT**

The Issuer, represented by the members of its management board, accepts responsibility for the information contained in these Terms of the Notes Issue and declares that the Issuer and its management board have taken all reasonable care to ensure that the information contained in these Terms of the Notes Issue is, to the best of the Issuer's knowledge, true, accurate and complete and not misleading in any respect.

On behalf of Hestio AS

Artūrs Dombrovskis  
Chairman of the management board

Reinis Tutāns  
Management board member

*This document is signed electronically with secure electronic signature containing a time stamp*

## INFORMATION ON NOTES

### 1. USE OF THE PROCEEDS

The total issue size is EUR 990,000.00 (nine hundred ninety thousand Euro). Funds that will be raised as a result of the Notes issue will be used to increase Issuer's working capital, for acquisition of other legal entity assets to increase the Issuer's competitiveness in existing business segments and expand operations in Latvia and other EU member states.

### 2. GENERAL INFORMATION

- 2.1. The Notes are bearer securities and any individual or entity that holds the Notes in his/her securities account has the right to receive Coupon payments, the Nominal Value payments and payments stipulated in Section 12 "Repayment of Notes". It is planned to issue the Notes with a Nominal Value of EUR 0.01 (one Euro cent) for one Note and total Nominal Value of EUR 990,000.00 (nine hundred ninety thousand Euro).
- 2.2. ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000802650.
- 2.3. The minimum subscription amount for the Notes is EUR 100,000.00 (one hundred thousand Euro) with minimum step of EUR 1,000.00 (one thousand Euro).

### 3. APPLICABLE LAW AND DISPUTE RESOLUTION

- 3.1. The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law (in Latvian - *Finanšu instrumentu tirgus likums*) and other Applicable Laws of the Republic of Latvia that are in force, including regulations of the FCMC, Nasdaq CSD and Nasdaq Riga.
- 3.2. All disputes between any one or more Noteholders and the Issuer shall be settled in the state courts of the Republic of Latvia in accordance with the Applicable Laws. These Terms of the Notes Issue are prepared and signed in English and any translations of these Terms of the Notes Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the provisions of these Terms of the Notes Issue in English shall have a priority against an interpretation in any other language.

### 4. FORM AND ACCOUNTING OF THE NOTES

The Notes are issued in dematerialised form and will be recorded in the Latvian SSS (securities settlement system governed by the Applicable Laws), which will provide the maintaining function for the Notes. The Noteholders may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

### 5. CURRENCY OF THE NOTES

Currency of the Notes is EUR (Euro).

### 6. SUBORDINATION OF THE NOTES

The Notes rank *pari passu* with other secured obligations of the Issuer, however, the Collaterals securing the Issuer's obligations under the Notes will be lower ranking, junior to the security interests in the same assets provided by the Issuer to AS "Attīstības finanšu institūcija Altum", until complete performance of the Issuer's obligations thereunder. For the avoidance of doubt, after complete performance of the Issuer's obligations under agreement with AS "Attīstības finanšu institūcija Altum", the Notes will be senior to other possible security interests over the same assets. If the Collaterals would be enforced, the Noteholders would receive payment of their claims in respect of the Notes only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of AS "Attīstības finanšu institūcija Altum" secured by the same Collateral, the costs of enforcement of the Collaterals and certain other preferred claims. Save for mandatory provisions of the Applicable Laws, there are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other secured or unsecured liabilities of the Issuer.

### 7. RIGHTS AND RESTRICTIONS CONNECTED WITH THE NOTES

- 7.1. Each Noteholder has the right to receive Coupon payments, Nominal Value payments and payments stipulated in Section 12 "Repayment of Notes" in accordance with the Section 11. (*Coupon*) and Section 12. (*Repayment of Notes*), as well as exercise other rights provided in these Terms of the Notes Issue and Applicable Laws.
- 7.2. The Issuer does not have the right to purchase the Notes on the secondary market directly from the

Noteholders.

- 7.3. The Notes held by the Related Parties are not eligible to participate in the voting in accordance with these Terms of the Notes Issue.

## **8. RESTRICTIONS ON FREE CIRCULATION OF THE NOTES**

- 8.1. The Notes are freely transferable debt securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the Applicable Laws.
- 8.2. Any Noteholder wishing to transfer or offer the Notes must ensure that any offering related to such transfer or offer would not be qualified as public offering in the essence of the Applicable Laws. According to these Terms of the Notes Issue, it is the obligation and liability of the Noteholder to ensure that any offering of the Notes does not fall under the definition of public offering under the Applicable Laws.

## **9. COLLATERAL OF THE NOTES**

- 9.1. The Notes are secured with a commercial pledge over all assets of the Issuer as an aggregation of property at the moment of pledging, as well as its future components, having subsequent ranking to the commercial pledge granted by Issuer in favour of AS "Attīstības finanšu institūcija Altum".
- 9.2. The Collateral shall be established in accordance with the terms and conditions of the Collateral Agreement to be concluded between the Noteholders as pledgee and the Issuer as pledgor. The Collateral shall be established (registered) in the Register within 30 (thirty) days after the Issue Date. Upon registration the Collateral will be registered with a ranking subsequent (subordinated) to the pledges established in favour of AS "Attīstības finanšu institūcija Altum".
- 9.3. The Issuer shall be responsible for all the costs related to the registration of the Collateral and changes to the Collateral as specified herein.

## **10. FIRST SETTLEMENT DATE OF THE NOTES**

- 10.1. The First Settlement Date of the Notes is the day when the Notes are settled in the securities accounts of the Noteholders as specified in Section 26. "Settlement and delivery of the Notes".

## **11. COUPON**

### **11.1. Coupon rate**

- 11.1.1. The Coupon rate for the Notes is 4.5% (four-point five percent) per annum and is fixed until the Maturity Date.

### **11.2. Payment in Kind Interest**

- 11.2.1. Payment in Kind Interest (rolled-up) is 3% (three percent) per annum. The Payment in Kind Interest Rate is compounded to the total Nominal Value of Notes ("Compounded Nominal Value") each Quarter and calculated from the Compounded Nominal Value of Notes each Quarter.
- 11.2.2. Payment in Kind Interest is compounded to the total Nominal Value of Notes each Payment in Kind Interest Compound Date. Payment in Kind Interest is compounded 4 (four) times per annum – each 31 March, 30 June, 30 September, and 31 December. The first Payment in Kind Interest will be compounded to the total Nominal Value of Notes on 31.03.2023. and the last on Maturity Date, which is 01.09.2027.
- 11.2.3. The Payment in Kind Interest record date is the 5th (fifth) Business Day prior to the Payment in Kind Interest Compound Date. At the end of the Payment in Kind Interest record date the list of the Noteholders, who are eligible for the compounding of the Payment in Kind Interest, will be fixed. The Payment in Kind shall be compounded in accordance with the relevant Noteholders' list, on each Payment in Kind Interest Compound Date for the preceding Payment in Kind Interest Compound Date.
- 11.2.4. The Issuer shall request the compounding of the Payment in Kind Interest through the intermediary of Nasdaq CSD and in accordance with the applicable Nasdaq CSD regulations, which regulate the procedure for debt securities. The Nasdaq CSD regulations applicable on the

date of these Terms of the Notes Issue are Nasdaq CSD Rulebook and Corporate Action Service Description.

11.2.5. If the Payment in Kind Interest Compound Date is not a Business Day, the Issuer will compound the Payment in Kind Interest on the next Business Day after the Payment in Kind Interest Compound Date. Change in the Payment in Kind Interest Compound Date shall not have an impact on the Payment in Kind Interest compound amount.

11.2.6. If the Issuer has failed to compound the Payment in Kind Interest in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the compounding of Payment in Kind Interest not earlier than after 5 (five) Business Days following the Payment in Kind Interest Compound Date of the relevant Payment in Kind Interest.

11.2.7. Compounded Payment in Kind Interest value each Quarter will be proportionally distributed to the Noteholders in accordance with Section 11.2. Payment in Kind Interest shall be compounded to the total Nominal Value of Notes each respective Quarter after the Coupon calculation each respective Quarter has taken place.

### **11.3. Coupon calculation**

11.3.1. Coupon calculation will be performed by the Issuer.

11.3.2. Quarterly Coupon payment amount is calculated in the following order: first, the Nominal Value of one Note plus compounded Payment in Kind Interest of one Note is calculated, second, the respective amount is multiplied with Coupon rate.

### **11.4. Coupon payment procedure**

11.4.1. Coupon payments are made on each Coupon Payment Date. Coupon payments are made 4 (four) times per annum – each 31 March, 30 June, 30 September, and 31 December. The first Coupon payment will be made on 31.03.2023. and the last Coupon payment will be made on Maturity Date, which is 01.09.2027.

11.4.2. The Coupon record date is the 5th (fifth) Business Day prior to the Coupon Payment Date. At the end of the Coupon record date the list of the Noteholders, who are eligible for the Coupon payments, will be fixed. The Coupon payment shall be made to the Noteholders in accordance with the relevant Noteholders' list, on each Coupon Payment Date for the preceding Coupon period.

11.4.3. The Issuer shall pay the Coupon through the intermediary of Nasdaq CSD and in accordance with the applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. The Nasdaq CSD regulations applicable on the date of these Terms of the Notes Issue are Nasdaq CSD Rulebook and Corporate Action Service Description.

11.4.4. If the Coupon Payment Date is not a Business Day, the Issuer will pay the Coupon payment on the next Business Day after the Coupon Payment Date. Change in the payment date shall not have an impact on the amount payable.

11.4.5. If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

## **12. REPAYMENT OF NOTES**

### **12.1. Accrued Coupon calculation**

12.1.1. The first Coupon starts to accrue on the day when the Issuer has received payment of the Notes in its Bank Account. The accrued Coupon is calculated presuming there are 360 (three hundred and sixty) days in one year (day count convention – "European 30/360").

12.1.2. The Accrued Coupon is calculated by multiplying the total Nominal Value (for the first quarter) or Compounded Nominal Value (for further quarters) of Notes in the respective Quarter with the Coupon rate and dividing the multiplied amount by the sum of 360 (three hundred and sixty) multiplied with the amount of days from the beginning of the Coupon accrual period until next Coupon Payment Date according to the European 30/360 day count method.

### **12.2. Additional Return Fee (*kicker*)**

12.2.1. The Issuer undertakes to pay the Noteholders Additional Return Fee proportionally to amount of their Notes on the Maturity Date or Early Redemption Date, whichever occurs first, in the amount of 2.2% (two-point two percent) of the Issuer's share value.

12.2.2. The highest of the following values is used when calculating the Additional Return Fee:

12.2.2.1. Multiplier of 7 (seven) multiplied by EBITDA on the Maturity Date or Early Redemption Date minus the Issuer's consolidated Net Debt;

12.2.2.2. In case of an IPO event, the value of the Issuer's shares is calculated based on the average market price of the Issuer's shares over the last 6 months or based on the average market price since the IPO event if calculated in less than 6 months.

### **12.3. Minimum Total Return**

12.3.1. Minimum Total Return of Initial Total Nominal Value in the event of Early Redemption:

12.3.1.1. in the year 2 (two) and 3 (three) cannot be lower than the Initial Total Nominal Value multiplied by 1.2 (one point two);

12.3.1.2. in year 4 (four) cannot be lower than Initial Total Nominal Value multiplied by 1.3 (one point three).

12.3.2. In any case, the Minimum Total Return of Initial Total Nominal Value in the event of repayment on the Maturity Date cannot be lower than Initial Total Nominal Value multiplied by 1.4 (one point four).

12.3.3. The Issuer undertakes to compensate the difference if the beforementioned Minimum Total Return amounts are not reached on Early Redemption or on the Maturity Date.

### **12.4. Repayment at maturity**

12.4.1. The Issuer will pay "**Total Repayment Value at Maturity**" which includes the following:

12.4.1.1. the Compounded Nominal Value; and

12.4.1.2. the Accrued Coupon; and

12.4.1.3. Additional Return Fee, if applicable; and

12.4.1.4. if the aforementioned repayment amount (12.4.1.1 - 12.4.1.3) does not reach the Minimum Total Return (stipulated in Clause 12.3.2), the Issuer shall also pay the outstanding difference to the Noteholders proportionally to amount of their Notes.

12.4.2. The Issuer will pay Total Repayment Value at Maturity with Nasdaq CSD intermediary in accordance with applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the date of these Terms of the Notes Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The list of the Noteholders eligible to receive the Total Repayment Value at Maturity proportionally to amount of their Notes will be fixed at the end of the previous Business Day before the Maturity Date.

12.4.3. If the Maturity Date of the Notes is not a Business Day, the Issuer will pay the Total Repayment Value at Maturity on the next Business Day after the Maturity Date. Change in the payment date shall not have an impact on the amount payable.

12.4.4. If the Issuer fails to pay the Total Repayment Value at Maturity in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the repayment of the Total Repayment Value at Maturity not earlier than after 5 (five) Business Days following the Maturity Date.

### **12.5. Early redemption at the option of the Issuer (call option)**

12.5.1. In case the Issuer redeems the Notes before the Maturity Date, the Issuer must pay to the Noteholders the "**Repayment Value at Early Redemption**" which includes the following:

12.5.1.1. Compounded Nominal Value; and

12.5.1.2. the Accrued Coupon; and

12.5.1.3. and Additional Return Fee, if applicable; and

12.5.1.4. Early Redemption Fee, which is calculated as follows:

12.5.1.4.1. in the amount of 6% of the Initial Total Nominal Value in case the early redemption occurs from 1 January 2023 (inclusive) until 31 December 2023 (inclusive);



- 12.5.1.4.2. in the amount of 5% of the Initial Total Nominal Value in case the early redemption occurs from 1 January 2024 (inclusive) until 31 December 2024 (inclusive);
  - 12.5.1.4.3. no redemption fee in case the early redemption occurs from 1 January 2025 (inclusive) before the Maturity Date; and
  - 12.5.1.5. if the beforementioned repayment amount (12.5.1.1 - 12.5.1.4) does not reach the Minimum Total Return (stipulated in Clause 12.3.1), the Issuer shall also pay the outstanding difference to the Noteholders proportionally to amount of their Notes.
- 12.5.2. If the Issuer takes a decision on Early Redemption of the Notes, the Issuer shall notify the Noteholders at least 30 (thirty) days prior to the Early Redemption Date of the Notes with intermediation of the Nasdaq Riga information system and Issuer's website <https://hestio.lv/>.
- 12.5.3. If the Issuer redeems the Notes, the Issuer will pay the Repayment Value at Early Redemption with the Nasdaq CSD intermediary in accordance with applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the date of these Terms of the Notes Issue are the Nasdaq CSD Rulebook and Corporate Action Service Description. The list of the Noteholders eligible to receive Repayment Value at Early Redemption plus Early Redemption Fee proportionally to amount of their Notes will be fixed at the end of the previous Business Day before the redemption payment date.
- 12.5.4. If the Early Redemption Date of the Notes is not a Business Day, the Issuer will pay the Repayment Value at Early Redemption on the next Business Day after the Early Redemption Date. Change in the payment date shall not have an impact on the amount payable.
- 12.5.5. If the Issuer fails to pay the Repayment Value at Early Redemption in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the repayment of the Repayment Value at Early Redemption not earlier than after 5 (five) Business Days following the Early Redemption Date.

## **12.6. Early redemption in case of Change of Control**

- 12.6.1. In case Change of Control has occurred, except for the IPO event, the Issuer has the obligation to redeem the Notes of the Noteholders at Total Repayment Value at Maturity within a period of 5 (five) Business Days.

## **13. FINANCIAL COVENANTS**

- 13.1. The Issuer undertakes to comply with the following financial covenants from the Issue Date and for as long as any Notes are outstanding:
- 13.1.1. to maintain Net Debt / EBITDA ratio of at least 3.5x (three point five times), calculated for the Relevant Period at the end of each half-year;
  - 13.1.2. to maintain DSCR:
    - a) not less than 1.3 (one point three times), calculated for the Relevant Period ending 30 June 2023;
    - b) not less than 1.5 (one point five times), calculated for the Relevant Period at the end of each half-year, starting from 31 December 2023.
- 13.2. The financial covenants indicated under Section 13. shall be calculated using the latest available half-year Financial Report of the Issuer.

## **14. UNDERTAKINGS**

- 14.1. Issuer undertakes to comply with the following undertakings from the Issue Date and for as long as any Notes are outstanding:
- 14.1.1. not to pay dividends or make other distribution of profits to its shareholders;
  - 14.1.2. not to commence Issuer's liquidation or not to reduce the equity capital;
  - 14.1.3. the Issuer shall continue business operations in the field of office supply, delivery of goods important for office work;
  - 14.1.4. any transactions with the Related Parties should be at a Fair Market Value;
  - 14.1.5. to publish unaudited half-year reports for the Issuer with management comments, prepared according to Latvian GAAP by the end of the second month following the end of each respective quarter. The reports should also include information if the Issuer is compliant with the financial covenants set out

in Clause 13. (Financial Covenants) of these Terms of the Notes Issue;

- 14.1.6. to publish annual reports for the Issuer prepared according to the Accounting Principles within 6 (six) months for each consecutive Financial Year. The annual reports should be audited by a reputable auditor;
- 14.1.7. to admit the Notes to trading on First North within 12 (twelve) months after the Issue Date. The Notes shall be listed on First North only in case Nasdaq Riga approves the Notes for listing. Each Noteholder acknowledges that the possible listing of the Notes on First North depends on the discretionary decision of the Nasdaq Riga. Therefore, the Issuer cannot ensure the listing of the Notes and, provided that the Issuer has taken all legal steps to ensure listing, shall not be deemed to be in breach of the Terms of the Notes Issue in case the Notes are not listed.

## 15. EVENTS OF DEFAULT

- 15.1. If an Event of Default occurs and is continuing, the Noteholders representing at least 10% (ten percent) of the principal amount of the outstanding Notes may by written notice to the Issuer declare the Notes and accrued payments stipulated in Section 11 "Coupon" and Section 12 "Repayment of Notes", if applicable, to be prematurely due and payable. In such case the Issuer shall pay all Noteholders the Nominal Value of the Notes along with the accrued Coupon and default interest in accordance with Clause 16. (*Default Interest*) within 20 (twenty) Business Days from the date such notice was received by the Issuer, provided that an Event of Default is continuing on the date of receipt of the notice by the Issuer and on the repayment date.
- 15.2. Each of the following events or circumstances shall constitute an Event of Default:
  - 15.2.1. **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of Coupon or payments stipulated in Section 12 "Repayment of Notes" in respect of the Notes on the due date for payment thereof, unless the payment is made within 5 (five) Business Days following the original due date. The Noteholders shall have the right to submit claims regarding failure to make payment not earlier than 5 (five) Business Days after the due date of the relevant payment;
  - 15.2.2. **Breach of Financial Covenants:** The Issuer does not comply with any financial covenant set out in Clause 13. (*Financial Covenants*);
  - 15.2.3. **Breach of Undertakings:** The Issuer does not comply with any undertakings set out in Clause 14. (*Undertakings*), unless the non-compliance (i) is capable of being remedied; (ii) is remedied within one month after the Issuer has become aware of the non-compliance; or (iii) Majority Noteholders have provided consent in respect to the Breach of Undertakings and adopted the proposed action plan to remedy the Breach of Undertakings.
  - 15.2.4. **Cross-Default:**
    - a) any Financial Indebtedness of the Issuer is neither paid when due nor within any applicable grace period;
    - b) any Financial Indebtedness of the Issuer is declared to be or otherwise becomes due and payable prior to its specified maturity, as a result of an event of default (however described);
    - c) any commitment for any Financial Indebtedness of the Issuer is cancelled or suspended by a creditor, as a result of an event of default (however described); or
    - d) any security securing Financial Indebtedness of the Issuer over any asset is enforced by a secured creditor;provided, however, the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds in total EUR 20'000 (twenty thousand Euro) (or the equivalent thereof in any other currency), and that the above does not apply to any Financial Indebtedness owed to the Related Parties.
  - 15.2.5. **Insolvency:**
    - a) the Issuer is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims, save for the claims of the Related Parties;
    - b) the Issuer enters into any arrangement with majority of its creditors by value in relation to restructuring of its debts or any meeting is convened to consider a proposal for such arrangement; or
    - c) an application to initiate insolvency or restructuring (including procedures such as legal protection process and out of court legal protection process) or administration of the

Issuer or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer.

## **16. DEFAULT INTEREST**

If the Issuer fails to pay to the Noteholders any amount payable by it under these Terms of the Notes Issue, then the Issuer shall pay to the Noteholders default interest (in Latvian – *nokavējuma procenti*) accruing on the overdue amount from the due date up to the date of actual payment at a rate which is 0.03 % (zero point zero three per cent) per day.

## **17. DISCLOSURE OF INFORMATION**

- 17.1. Up until the Maturity Date, the Issuer shall publish all information required by rules of Nasdaq Riga First North, these Terms of the Notes Issue and regulatory enactments.
- 17.2. Unless it is provided otherwise in these Terms of the Notes Issue all notices and reports to Noteholders shall be published on the Issuer's website <https://hestio.lv/> and as of the date when the Notes are admitted to trading on First North on the Nasdaq Riga website as required by rules of Nasdaq Riga and regulatory enactments.
- 17.3. Any notice or report published in a manner prescribed in Clause 17.2. of these Terms of the Notes Issue shall be deemed to have been received on the same Business Day when it is published.

## **18. FORCE MAJEURE**

- 18.1. The Issuer shall be entitled to postpone the fulfilment of its obligations under these Terms of the Notes Issue in case the performance is not possible due to continuous existence of any of the following circumstances (a "Force Majeure Event"):
  - 18.1.1. action of any authorities, war or threat of war, armed hostility or a serious threat of it, including but not limited to enemy attacks, blockades, military embargoes, actions by a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions by a public enemy, commotions, acts of terrorism, diversions, piracy, disorders, invasion, revolution, coup, insurrection, mass unrest, expropriation, enforced withdrawal, takeover of enterprises, requisition;
  - 18.1.2. disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer;
  - 18.1.3. any interruption of or delay in any functions of measures of the Issuer as a result of fire, frost, or other similar disaster;
  - 18.1.4. any industrial action, such as strike, lockout, boycott, or blockade affecting materially the activities of the Issuer; or
  - 18.1.5. any other similar force majeure hindrance.
- 18.2. In case of occurrence of a Force Majeure Event, the Issuer's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

## **19. REPRESENTATION OF THE NOTEHOLDERS**

- 19.1. The Noteholders have right to act with the Collateral directly, yet at the same time there are no restrictions set for Noteholders' right to create and/or authorize an organization/person that represents the legal interests of all Noteholders or part thereof.
- 19.2. In case of the insolvency of the Issuer each Noteholder has the right to represent their own interests in creditors' meetings.

## **20. PROCEDURE FOR APPLYING FOR NOTEHOLDERS' CONSENT**

- 20.1. The Issuer has the right to request a consent (waiver) of Noteholders to amend the conditions provided in these Terms of the Notes Issue and the Collateral (apply for a waiver). However, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar

matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

- 20.2. The amendment of these Terms of the Notes Issue and the Collateral may include the amendment of any conditions, which is not restricted by such characteristics of the Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Notes to regulated or alternative markets, the Maturity Date, and other conditions, unless they contradict the Applicable Laws.
- 20.3. The Issuer may apply for a consent (waiver) itself or through the intermediary of an authorised person (the "**Agent**"). In order to request a consent (waiver), the Issuer or Agent shall notify the Noteholders by publishing a relevant announcement on the Issuer's website <https://hestio.lv/>, if Notes are not listed, or, if Notes are included in First North, *via* the Nasdaq Riga information system, specifying at the least the following information:
  - 20.3.1. a description of the requested amendment;
  - 20.3.2. a justification of the necessity of such amendment;
  - 20.3.3. the date when the list of the Noteholders eligible to grant a consent (waiver) (vote) will be fixed;
  - 20.3.4. the term within which a Noteholder can support or reject the offered consent (waiver);
  - 20.3.5. instructions concerning notification about the support or rejection of the consent (waiver) and the procedure for filling in the voting form;
  - 20.3.6. notification that a Noteholder willing to grant the consent (waiver) shall notify the Issuer and the Agent within the term specified in the application. If the Noteholder does not notify the Issuer or the Agent about the approval to grant the waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
  - 20.3.7. contact details of the Issuer and the Agent (telephone number for inquiries, email or address for sending filled in and signed voting forms, list of representative offices and/ or branches of the Issuer and/or Issuer's Agent where the Noteholders can submit the voting forms in person);
  - 20.3.8. other information (if any).
- 20.4. The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after a request for consent (waiver) was published in a manner stipulated in Clause 20.2 of these Terms of the Notes Issue.
- 20.5. The term allowed to the Noteholders for deciding upon refusal to grant a consent (waiver) the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after a request for consent (waiver) was published in a manner stipulated in Clause 20.2 of these Terms of the Notes Issue.
- 20.6. The Noteholders shall submit signed voting forms to the Issuer or the Agent by a deadline set in the application of the consent (waiver). The consent (waiver) is deemed to be granted, if the Noteholders owning at least 50% (fifty percent) of the principal amount of the outstanding Notes (excluding the Notes owned by the Issuer, direct and indirect shareholders of the Issuer and Related Parties) have voted for granting the consent (waiver). The Notes owned by the Issuer, direct and indirect shareholders of the Issuer and Related Parties are not eligible to participate in the voting.
- 20.7. The Issuer or the Agent shall count the received votes and notify the Noteholders of the results of the voting within 1 (one) Business Day after the deadline for submitting the voting forms by publishing a relevant announcement on the Issuer's website <https://hestio.lv/>, if Notes are not listed, or, if Notes are included in First North, *via* the Nasdaq Riga information system, if the Notes are included in the First North.
- 20.8. If the granted consent (waiver) refers to specifications of the Notes and/or Coupon calculation method, as well as the procedure of Coupon payments and/or repayment of the Nominal Value, the Issuer shall inform Nasdaq CSD on these changes according to the regulation determined in the Nasdaq CSD rules.

## TERMS OF THE PRIVATE OFFERING

### 21. SUBSCRIPTION PERIOD

The subscription period for the Notes commences on 20 December 2022 at 9:00 Riga time and shall end on 20 December 2022 at 18:00.

### 22. SUBSCRIPTION TERMS

- 22.1. The subscription orders to the Notes can be submitted to the Issuer every Business Day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 26517772.
- 22.2. The minimal initial subscription size (the "**Minimum Investment Amount**") is EUR 100,000.00 (one hundred thousand Euro).
- 22.3. Total Nominal Value of the Notes to be purchased and provided in each subscription order shall be for at least Minimum Investment Amount.
- 22.4. All subscription orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.
- 22.5. By submitting the subscription order the Potential Investor confirms that it: (a) has read and understands these Terms of the Notes Issue; and (b) agrees and commits to adhere to these Terms of the Notes Issue.
- 22.6. Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus.
- 22.7. The First Settlement Date of the Notes is the day when the Notes are settled in the securities accounts of the Noteholders as specified in Section 26. "Settlement and delivery of the Notes".
- 22.8. All the expenses related to the acquisition and custody of the Notes shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

### 23. PRICE OF THE NOTES

- 23.1. The purchase price of the Notes is equal to 100% (one hundred percent) of the Nominal Value.

### 24. ALLOCATION OF THE NOTES TO NOTEHOLDERS

- 24.1. The Notes are allocated to the Noteholders in the amount not larger than the amount specified in the subscription order and not less than the Minimum Investment Amount.
- 24.2. In case the total number of Notes subscribed for during the subscription period is less than the number of Notes available, the Notes will be allotted based on the subscription orders placed.
- 24.3. In case the total number of Notes subscribed for is higher than the number of Notes available, the proportionate reduction principle shall be applied to the extent possible at the discretion of the Issuer, however, the Notes allocated to the Noteholders shall not be less than the Minimum Investment Amount.
- 24.4. The Issuer at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor due to AML, Sanctions regulations compliance risk or other risks.

### 25. REDUCTION OF THE NOTES ISSUE SIZE

- 25.1. The Issuer may decide to discontinue placement of the Notes at any time.

### 26. SETTLEMENT AND DELIVERY OF THE NOTES

- 26.1. Within 1 (one) Business Day after the end of Subscription period the Issuer will collect all subscription

orders submitted to the Issuer.

- 26.2. According to the Issue Terms the Issuer will enter into the Collateral Agreement with the Noteholders securing the Collateral and carry out the registration of the Collateral in the relevant register for the benefit of Noteholders.
- 26.3. After registration of the Collateral in the relevant register, the Issuer will submit confirmation documents on the registration of the Collateral to the Noteholders.
- 26.4. Within 10 (ten) Business Days after receipt of documents specified in Clause 26.3., the Noteholders will transfer payment for the Notes to the Issuer's Bank Account.
- 26.5. After the receipt of the payment for Notes and payment confirmation from Noteholders, the Issuer will submit documents to Nasdaq CSD within 5 (five) Business Days to settle the Notes to the securities accounts of the Noteholders.

## **27. PRE-EMPTIVE RIGHTS**

None of Potential Investors has the rights of pre-emption in respect to purchase of the Notes.

## **28. LISTING**

- 28.1. The Issuer plans to request the admission to trading of the Notes on First North within 12 (twelve) months after the Issue Date and submit these Terms of the Notes Issue, as well as the company description to Nasdaq Riga. The Issuer does not undertake to register the Notes prospectus with the FCMC or list the Notes on any regulated market.
- 28.2. The Issuer has not signed any agreement with any person for liquidity maintenance of the Notes on the secondary market.

## **GENERAL INFORMATION**

### **29. GENERAL INFORMATION ON THE ISSUER**

The Issuer is Hestio AS, a joint stock company (*akciju sabiedrība*) registered in the Register Enterprises of the Republic of Latvia under registration number 40003972121.

The Issuer carries out its activities in accordance with the Applicable Laws.

The Issuer is the leading office product supplier in Latvia, having 15 years of extensive experience in delivery of workplace supply solutions, coffee machines, water filtration systems, printer rental services & maintenance, production, refilling, and renewal of laser printer cartridges.

The Issuer is fully owned by the Existing Shareholder.

### **30. DECISIONS OF THE ISSUER ON THE NOTES ISSUE**

On 23<sup>rd</sup> November 2022, the Issuer's shareholders passed the decision to issue the Notes and to authorize the management board to approve and sign all the documents (including the Terms of the Notes Issue and the Collateral Agreement) related to the issuance of the Notes.

On 23<sup>rd</sup> November 2022, the Issuer's Supervisory Board passed the decision to issue the Notes and to authorize the management board to approve and sign all the documents (including the Terms of the Notes Issue and the Collateral Agreement) related to the issuance of the Notes.

On 22<sup>nd</sup> November 2022, the Issuer's Management Board passed the decision to issue the Notes and to approve and sign all the documents (including the Terms of the Notes Issue and the Collateral Agreement) related to the issuance of the Notes.

### **31. AUDITOR**

The Group's financial statements for the years 2019, 2020 and 2021 have been audited by SIA "Grant Thornton Baltic Audit", registration no. 50003946031, legal address: Blaumaņa iela 22, Rīga, LV-1011.

### **32. ADVISORS INVOLVED IN THE ISSUE**

Legal advice to the Issuer in respect of the Notes issue was provided by ZAB Eversheds Sutherland Bitāns SIA.

### **33. EXTERNAL AUDIT OF THE INFORMATION INCLUDED IN THESE TERMS OF THE NOTES ISSUE**

The information included in these Terms of the Notes Issue have not been verified by auditors.

### **34. STATEMENTS OR REPORTS INCLUDED IN THESE TERMS OF THE NOTES ISSUE**

These Terms of the Notes Issue does not contain any expert statements or reports.

### **35. CREDIT RATINGS**

No credit rating has been assigned to the Issuer or to the Notes.

## TAXES

### 36. NOTICE

This summary is of general nature and should not be considered a legal or tax advice. This summary does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Potential Investors should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

### 37. DEFINITION OF RESIDENTS AND NON-RESIDENTS

An individual is considered resident of Latvia for tax purposes if his or her declared place of residence is the Republic of Latvia, or he or she stays in the Republic of Latvia for more than 183 (one hundred and eighty-three) days within any 12 (twelve) month period; or he or she is a citizen of the Republic of Latvia and is employed abroad by the government of the Republic of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in the Republic of Latvia according to the Latvian legal acts. This also include permanent establishments of foreign entities in Latvia. Other legal entities are considered non-residents for tax purposes.

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favorable taxation regime. Therefore, if there is a valid tax convention with the country of a non- resident Noteholder, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" of 30 April 2001. For the purposes of exchanging documents, the Noteholder should contact the Issuer via the information provided on the Issuer's website and/or Nasdaq Riga website.

### 38. TAXATION

Tax consequences in the Republic of Latvia regarding the income derived from Notes that are issued by a legal entity registered in the Republic of Latvia (not being a credit institution) effective as of date of the Terms of the Notes Issue are as follows:

Legal status of income beneficiary	Notes that are not in the public circulation (not admitted to trading on a regulated market for the purposes of MiFID II)		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20% <sup>1</sup>	20% <sup>1</sup>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p><sup>1</sup>Exclusively for individual residents (natural person taxpayers), The Law on Income Tax of the Republic of Latvia allows for postponement of the taxation of income derived from securities by using an investment account regime. Provided that the investment account regime is used at the moment of receiving the respective financial income, the moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid into the account).</p> <p>Income from disposal of Notes is considered equivalent to an interest income and taxed at 20% rate in Latvia.</p>
Company resident of	deferred: 20/80 of the beneficiary's	deferred: 20/80 of the beneficiary's	Interest (coupon) income and a capital gain from the Notes constitute a part of the beneficiary's - Latvian



Latvia	net profit distributed (equals to 20% of the gross profit)	net profit distributed (equals to 20% of the gross profit)	<p>company's overall income.</p> <p>The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (e.g., deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year).</p>
Individual non-resident	20% / 5% <sup>2</sup>	20%	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. Nonetheless, income from publicly traded financial instruments (interest (coupon) income) is subject to tax exemption.</p> <p>A non-resident individual being a beneficiary of interest (coupon) income or an income from disposal of Notes could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia. Provisions of applicable double tax treaty may also provide for a more favorable tax application principle.</p> <p><sup>2</sup>25% tax from interest (coupon) income can be withheld and transferred to the State budget by an Issuer of Notes who is the resident of Latvia, if all of the following three criteria are met: (i) the interest (coupon) payment is made with the intermediation of a financial institution, including the Depository, and the Notes issue has been arranged by a financial institution that is regulated by a public regulatory authority (such as the FCMC); (ii) the recipient of such income is a resident of the European Union or the European Economic Area and is not engaged in economic activity; (iii) the respective financial instrument is not publicly traded.</p>
Company non-resident	Not taxable in Latvia <sup>3</sup>	Not taxable in Latvia <sup>3,4</sup>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from no-tax or low-tax countries or territories) are not taxable in Latvia.</p> <p><sup>3</sup>Payments (including interest payments) to non-resident located, registered, or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No. 819 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 17 December 2020; effective as of 1 January are subject to withholding tax of 20% if the payer is a Latvian legal entity.</p> <p><sup>4</sup>A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Applicable Laws of the Republic of Latvia

## BUSINESS DESCRIPTION

### 39. OVERVIEW

The Issuer is a leading workspace solutions provider in Latvian market, operating since 2007 and serving 8500+ business customers from different industries.

The Issuer has developed a diversified multi- service portfolio, ensuring a sustainable and integrated offer to corporate customers. Recent investments in coffee roasting business and acquisition of printing consumables manufacturer have significantly strengthened competitiveness of core services provided to business customers.

Experienced management team with in-depth industry expertise ensures pragmatic implementation of strategy, as well as adaptation of company's operations in challenging market situation.

The Issuer's core business segments are:

1. Services, based on recurring revenue contracts:
  - Office coffee service
  - Water filtration systems rental
  - Managed print service
  - IT equipment rental
  - Corporate gifts delivery service
  - Facility management services
2. Manufacturing:
  - Coffee roasting business (subsidiary Auron Coffee Roastery)
  - Manufacturing of printing consumables
3. E-commerce (on- demand deliveries):
  - Cleaning and hygiene products
  - Break-room supplies
  - Office essentials
  - Technology, ink & toner
  - Office furniture
4. Public procurement:
  - Government and municipality tenders
  - Latvian government procurement system
  - State- owned enterprise tenders

The Issuer creates attractive workspace for its customers by providing solutions for their employee's well-being.

#### 39.1. Financial performance of the Issuer by segment

The Issuer operates within several sectors, and the core segments of the business based on turnover are:

<b>Segment</b>	<b>Turnover, MEUR Year ended 31 December 2020</b>	<b>Turnover, MEUR Year ended 31 December 2021</b>
1. <i>Recurring revenue (Service contracts)</i>	3 163 010	4 718 133
2. <i>E-commerce (deliveries on-demand)</i>	3 479 215	3 533 883
3. <i>Public procurement</i>	1 547 285	1 524 470
<b>Total</b>	<b>8 189 510</b>	<b>9 776 486</b>

## 39.2. Market position

### Overview of the Issuer's geographical presence

The Issuer is the local market leader in workspace solutions segment and has a strong geographical presence in Latvia, with headquarter, warehouse hub, and logistics center located in Riga, the capital of Latvia.

The Issuer is increasing its international presence and has already expanded to other European countries, by serving corporate customers in Estonia and Lithuania.

### 39.3. Strategy of the Issuer

The Issuer's business strategy is focused on strengthening its leadership position in the workplace solutions segment in the Baltics region, ensuring organic growth in existing business segments, and continuing the successfully launched market consolidation process in the Baltics region.

Possessing a leading position, the Issuer offers corporate customers access to a broad portfolio of various goods and services.

The Issuer is extending its business with more initiatives and acquisitions to strengthen its position in the market and expand its customer base, developing a portfolio of services, optimizing the supply chain in strategic product categories and cost structure.

## 40. GROUP STRUCTURE

At the date of Terms of Notes Issue the Group consists of the Issuer and its fully owned (100%) Subsidiary SIA "Auron Coffee Roastery", which operates in coffee roasting business.

At the beginning of 2022, the Issuer finalized the acquisition of SIA "Baltijas Biroju Serviss" to increase company's presence in managed print service market segment and expand its activities in the production of toner cartridges.

In addition to the production and refilling of toner cartridges, a managed print service has been launched, which includes diagnostics of the customer's office equipment, rental of equipment, regular equipment maintenance and repairs.

### 40.1. Management board of the Issuer

The management board of the Issuer is the executive institution, and it is responsible for management and representation of the Issuer's business operations, as well as performance of other obligations as stipulated by Applicable Laws. At the date of Terms of the Notes Issue the management board of the Issuer consists of five members.

<b>Name</b>	<b>Position</b>	<b>Representation rights</b>
<i>Artūrs Dombrovskis</i>	Chairman of the management board	Right to represent the Issuer solely
<i>Vika Lamberta</i>	Management board member	Right to represent the Issuer with another Management Board member
<i>Ineta Laizāne</i>	Management board member	Right to represent the Issuer with another Management Board member
<i>Gustavs Dreimanis</i>	Management board member	Right to represent the Issuer with another Management Board member
<i>Reinis Tutāns</i>	Management board member	Right to represent the Issuer with another Management Board member

#### **Artūrs Dombrovskis**

Artūrs Dombrovskis consistently delivers mission-critical results and responsible for setting the company's overall direction and strategy, based on extensive executive experience in the industry with significant growth accomplishments. He has more than twelve years of industry experience in management positions.

#### **Vika Lamberta**

Vika Lamberta is a strategic leader to negotiate contracts, pricing and oversee the procurement strategy. She has an in-depth knowledge and over fifteen years of experience in the industry. Her key strengths are understanding of market trends, government, and business customer needs and requirements.

#### **Ineta Laizāne**

Ineta Laizāne provides strategic direction for the human resources function and is responsible for developing and implementing HR policies and programs. She is a sophisticated solver of administrative, strategic, and operational challenges.

#### **Gustavs Dreimanis**

Gustavs Dreimanis is a CSO with a marketing background develops and implements sales plans that drive revenue growth. He has over fifteen years of executive experience in B2B and B2C sectors and a proven track record of achieving challenging sales targets.

#### **Reinis Tutāns**

Reinis Tutāns is a financial leader with a deep understanding of financial metrics, responsible for planning and financial control. He oversees the accounting and finance department and provides financial advice and support to the CEO and management.

### **40.2. Supervisory board of the Issuer**

The supervisory board is the responsible institution for representation of shareholders' interests between the shareholders' meetings and supervision of management board activities, as well as performance of other obligations according to the Commercial Law of Latvia. At the date of the Terms of the Notes Issue the supervisory board of the Issuer consists of four members.

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>
<i>Andris Laizāns</i>	Chairman of the supervisory board	11.07.2022.
<i>Ivars Muzikants</i>	Deputy chairman of the supervisory board	11.07.2022.
<i>Māra Zepa</i>	Supervisory board member	11.07.2022.
<i>Guntis Rozenbahs</i>	Supervisory board member	11.07.2022.

#### **Andris Laizāns**

From 2013 to 2022 Andris Laizāns has held the position of chairman of the board of Hestio AS and is well versed in both the company's operations and business activity. From 1996 to 2003 he was the President of AAS BALTA, whereas from 1991 to 1996 he was head of the legal department.

#### **Ivars Muzikants**

Ivars Muzikants has a vast experience in managing and developing businesses. Ivars is known for being on the board of several companies related to finance, insurance, production, logistics, including holding of the management board and supervisory council positions.

#### **Māra Zepa**

Māra Zepa is a lawyer with practical experience in the field of commercial law, finance, and insurance. From 1996 to 2021 Māra was a sworn attorney at law. She has held the position of arbitrator in the arbitration court of the Association of Latvian Commercial Banks.

#### **Guntis Rozenbahs**

Guntis Rozenbahs is a sales and procurement strategist with advanced commercial awareness. Since 2010 Guntis has been holding leading roles in the Company related to sales and procurement.

## FINANCING STRATEGY OF THE ISSUER

The Issuer's financial strategy is to maintain a balanced financing structure of the company and increase long-term shareholder value through disciplined capital allocation and focus on operating efficiencies.

Priority is set on financial management and operating efficiencies across business directions to increase margins and profitability. The Issuer focuses on further developing a diversified and balanced portfolio that generates stable cash flow and provides long-term growth potential.

In its strategy, the Issuer ensures continuous development of its financial targets, scrupulously tracks monthly, quarterly, and yearly financial performance.

### 41. OVERVIEW OF THE ISSUER'S FUNDING STRUCTURE

#### Funding structure of the Issuer

<i>Funding Type</i>	<i>Period ended 31 December 2019</i>	<i>Period ended 31 December 2020</i>	<i>Period ended 31 December 2021</i>
<i>Share capital</i>	150 000	150 000	860 000
<i>Retained earnings</i>	199 411	465 756	522 926
<i>Profit for the year</i>	266 345	244 993	749
<b><i>Total equity</i></b>	<b>615 756</b>	<b>860 749</b>	<b>1 383 675</b>
<i>Long term creditors</i>	274 566	894 524	846 364
<i>Short term creditors</i>	1 420 093	1 424 207	2 209 172
<b><i>Total Liabilities</i></b>	<b>1 694 659</b>	<b>2 318 731</b>	<b>3 055 536</b>
<b><i>Total Funding</i></b>	<b>2 310 415</b>	<b>3 179 480</b>	<b>4 439 211</b>

#### **42. LEGAL PROCEEDINGS AND ARBITRATION**

At the date of Terms of the Notes Issue the Issuer is not involved in any lawsuits or arbitration proceedings, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.

#### **43. SUBSTANTIAL CHANGES IN THE FINANCIAL SITUATION OF THE ISSUER AND SUBSTANTIAL AGREEMENTS**

Since the reporting date of the Issuer's Financial Report for the period ended 31 December 2021, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or any events which would negatively affect the financial situation or performance of the Issuer in the future.

The Issuer is not aware of any other significant agreements or internal decisions that could have been concluded within the Group or between the Issuer and any related company that could affect the Issuer's ability to fulfil its obligations under these Terms of the Notes Issue.

#### **44. SIGNIFICANT RECENT AND KNOWN TRENDS**

On 24 February 2022, the Russian Federation invaded the Republic of Ukraine. Due to the military actions taken by Russian Federation, number of sanctions and restrictive measures have been imposed on the EU and international level against the Russian Federation. This geo-political event has affected the global financial markets and economic sectors across the world.

At the date of Terms of the Notes Issue, the Issuer has no information regarding any significant impact of the imposed restrictive measures or any other factors that would have negative effect on the Issuer's performance and operations.

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

### 45. GENERAL

The shareholder's equity of the Issuer as of 31 December 2021 is EUR 1.38 million (one million point thirty-eight million Euro).

The Issuer's financial reports will be available on its website (<https://hestio.lv/>) after the Issue Date and via the Nasdaq Riga website after listing on First North.

The tables below present key selected financial information for the Issuer and have been derived from the Issuer's audited financial statements as at and for the Financial Year ended 31 December 2021, 31 December 2020, and 31 December 2019.

The Issuer's financial statements for the years 2019, 2020 and 2021 have been prepared in accordance with Latvian Accounting Standards (Latvian GAAP) and audited by SIA "Grant Thornton Baltic Audit", registration no. 50003946031, legal address: Blaumaņa iela 22, Rīga, LV-1011.

#### 45.1. The Issuer's Financial Data

##### Statement of income

	<b>Audited Period ended 31 December 2019</b>	<b>Audited Period ended 31 December 2020</b>	<b>Audited Period ended 31 December 2021</b>
<i>Revenue</i>	7 782 675	8 189 510	9 776 486
<i>Cost of sales</i>	(4 806 423)	(5 101 459)	(5 753 188)
<b>Gross profit</b>	<b>2 976 252</b>	<b>3 088 051</b>	<b>4 023 298</b>
<i>Selling expenses</i>	(2 392 631)	(2 454 106)	(3 189 938)
<i>Administration expenses</i>	(248 407)	(323 221)	(384 908)
<i>Other operating expenses</i>	(63 622)	(68 301)	(71 366)
<i>Other operating income</i>	18 168	38 369	187 863
<b>Operating profit</b>	<b>289 760</b>	<b>280 792</b>	<b>564 949</b>
<i>Interest income</i>	0	0	454
<i>Interest expense</i>	(23 415)	(35 799)	(38 931)
<b>Profit before tax</b>	<b>266 345</b>	<b>244 993</b>	<b>526 472</b>
<i>Income tax expense</i>	0	0	(3 546)
<b>Profit for the year</b>	<b>266 345</b>	<b>244 993</b>	<b>522 926</b>

##### Statement of financial position

	<b>Audited Period ended 31 December 2019</b>	<b>Audited Period ended 31 December 2020</b>	<b>Audited Period ended 31 December 2021</b>
<i>Equipment</i>	763 675	1 293 176	1 724 110
<i>Intangible assets</i>	10 346	82 688	123 802
<i>Financial assets</i>	0	0	82 486
<b>Total non-current assets</b>	<b>774 021</b>	<b>1 375 864</b>	<b>1 930 398</b>
<i>Inventory and raw materials</i>	785 704	654 472	888 509
<i>Advances and inventory</i>	2 172	12 308	18 348
<i>Trade receivables</i>	478 586	456 451	741 507

<i>Other receivables</i>	14 941	16 809	52 297
<i>Deferred income</i>	615	880	3 922
<i>Accrued expense</i>	13 077	15 097	23 664
<i>Cash and cash equivalents</i>	241 299	647 599	780 566
<b>Total current assets</b>	<b>1 536 394</b>	<b>1 803 616</b>	<b>2 508 813</b>
<b>Total assets</b>	<b>2 310 415</b>	<b>3 179 480</b>	<b>4 439 211</b>
<i>Share capital</i>	150 000	150 000	860 000
<i>Retained earnings</i>	199 411	465 756	749
<i>Current year profit</i>	266 345	244 993	522 926
<b>Total equity</b>	<b>615 756</b>	<b>860 749</b>	<b>1 383 675</b>
<i>Borrowings from credit institutions</i>	0	536 842	340 000
<i>Borrowings from related parties</i>	61 150	0	0
<i>Other borrowings</i>	213 416	249 715	384 974
<i>Taxes payable</i>	0	107 967	121 390
<b>Total long-term liabilities</b>	<b>274 566</b>	<b>894 524</b>	<b>846 364</b>
<i>Borrowings from credit institutions</i>	57 500	143 158	272 000
<i>Other borrowings</i>	199 254	161 188	239 150
<i>Trade and other payables</i>	893 698	696 381	1 043 531
<i>Borrowings from related parties</i>	4 184	3 872	38 962
<i>Taxes payable</i>	108 762	254 681	329 424
<i>Other liabilities</i>	78 150	88 427	157 751
<i>Deferred liabilities</i>	77 834	76 500	128 354
<b>Total short-term liabilities</b>	<b>1 420 093</b>	<b>1 424 207</b>	<b>2 209 172</b>
<b>Total liabilities</b>	<b>1 694 659</b>	<b>2 318 731</b>	<b>3 055 536</b>
<b>Total equity and liabilities</b>	<b>2 310 415</b>	<b>3 179 480</b>	<b>4 439 211</b>





**Hestio AS**

Registration No. 40003972121

LEI: 984500B87564PAFE3F43

**SCHEDULE NO 1**

Amendments to Hestio AS

Registration no: 40003972121

Terms of the Notes Issue

(ISIN: LV0000802650)

(hereinafter – Terms of the Notes Issue)

Approved in accordance with:

- 1) The decision of board meeting of **Hestio AS**, registration number: 40003972121, legal address: Kleistu iela 18A - 2, Rīga, LV-1067, Latvia (hereinafter - **Issuer**) dated 14 December 2023;
- 2) Requirements stipulated by Terms of the Notes Issue, dated 20 December 2022, on the basis of which the relevant consent of the Noteholders has been requested and issued.

Riga  
14 December 2023

The following amendments have been approved to the Terms of the Notes Issue:

**1. To amend and restate subsection b) of Clause 13.1.2. "Financial Covenants" as follows:**

45.1.1. to maintain DSCR:

- a) not less than 1.3 (one point three times), calculated for the Relevant Period ending 31 December 2023;
- b) not less than 1.5 (one point five times), calculated for the Relevant Period at the end of each half-year, starting from 30 June 2024.



**Hestio AS**

Registration No. 40003972121

LEI: 984500B87564PAFE3F43

**SCHEDULE NO 2**

Amendments to Hestio AS

Registration no: 40003972121

Terms of the Notes Issue

(ISIN: LV0000802650)

(hereinafter – Terms of the Notes Issue)

Approved in accordance with:

- 1) Voting decision of Altogether Noteholders holding Notes with the nominal value of EUR 1,051,765 which constitutes 100% of the nominal value of all Notes, announced 28 February 2025.

Riga  
28 February 2025

The following amendments have been approved to the Terms of the Notes Issue:

**1. To add subsection c) to Clause 13.1. 2. Financial Covenants” as follows:**

13.1.2. to maintain DSCR:

c) not less than 1.3 (one point three times), calculated for the Relevant Period at the end of each half-year, starting from 31 December 2024.